

AMENDED IN SENATE JUNE 21, 2010

AMENDED IN SENATE JUNE 7, 2010

AMENDED IN SENATE JUNE 25, 2009

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

ASSEMBLY BILL

No. 1507

Introduced by Assembly Member Lieu

February 27, 2009

An act to amend Section 44283 of, and to add ~~Sections 39626.1 and~~ Section 44287.2 to, the Health and Safety Code, relating to air pollution.

LEGISLATIVE COUNSEL'S DIGEST

AB 1507, as amended, Lieu. Motor vehicle emission reduction projects.

Existing law establishes the Carl Moyer Memorial Air Quality Standards Attainment Program ~~and the Goods Movement Emission Reduction Program, which provide state funds to reduce emissions from motor vehicles, as provided, which provides grants to offset the incremental cost of projects that reduce covered emissions from covered sources.~~

This bill would require the State Air Resources Board, by July 1, 2011, to revise project guidelines to allow funds from specified programs and funding sources to be used for a project also funded under the Carl Moyer Memorial Air Quality Standards Attainment Program ~~or the Goods Movement Emission Reduction Program~~ without those additional public funds being factored into the criteria emission reduction cost-effectiveness calculations under ~~either of those programs that~~ program.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1.~~ Section 39626.1 is added to the Health and Safety
2 Code, to read:
3 39626.1. ~~(a) By July 1, 2011, the state board shall revise~~
4 ~~project guidelines pursuant to Section 39626 to allow funds from~~
5 ~~all of the following programs or funding sources to be used for a~~
6 ~~project also funded under this chapter without those additional~~
7 ~~public funds being factored into the criteria emission reduction~~
8 ~~cost-effectiveness calculations:~~
9 ~~(1) Federal funding from programs designed to reduce~~
10 ~~greenhouse gas emissions.~~
11 ~~(2) Alternative and Renewable Fuel and Vehicle Technology~~
12 ~~Program (Article 2 (commencing with Section 44272) of Chapter~~
13 ~~8.9 of Part 5).~~
14 ~~(b) Nothing in this section authorizes the expenditure of funds~~
15 ~~for a project that does not meet all of the requirements of this~~
16 ~~chapter, including requirements that require cost sharing or~~
17 ~~matching of funds. Subdivision (a) does not apply if the additional~~
18 ~~expenditure would not provide an incremental air quality, or~~
19 ~~greenhouse gas emission reduction, benefit greater than what would~~
20 ~~otherwise be achieved by the program. The state board shall not~~
21 ~~exclude funds from the cost-effectiveness calculation pursuant to~~
22 ~~subdivision (a), if excluding those funds would reduce the emission~~
23 ~~reduction benefits expected to be achieved from this chapter,~~
24 ~~federal greenhouse gas emission reduction programs, or the~~
25 ~~Alternative and Renewable Fuel and Vehicle Technology Program.~~
26 ~~SEC. 2.~~
27 ~~SECTION 1.~~ Section 44283 of the Health and Safety Code, as
28 amended by Section 1 of Chapter 627 of the Statutes of 2006, is
29 amended to read:
30 44283. (a) Grants shall not be made for projects with a
31 cost-effectiveness, calculated in accordance with this section, of
32 more than thirteen thousand six hundred dollars (\$13,600) per ton
33 of NO_x reduced in California or a higher value that reflects state
34 consumer price index adjustments on or after January 1, 2006, as
35 determined by the state board. For projects obtaining reactive

1 organic gas and particulate matter reductions, the state board shall
2 determine appropriate adjustment factors to calculate a weighted
3 cost-effectiveness.

4 (b) Only covered emission reductions occurring in this state
5 shall be included in the cost-effectiveness determination. The
6 extent to which emissions generated at sea contribute to air quality
7 in California nonattainment areas shall be incorporated into these
8 methodologies based on a reasonable assessment of currently
9 available information and modeling assumptions.

10 (c) The state board shall develop protocols for calculating the
11 surplus covered emission reductions in California from
12 representative project types over the life of the project.

13 (d) The cost of the covered emission reduction is the amount
14 of the grant from the program, including matching funds provided
15 pursuant to subdivision (e) of Section 44287, plus any other state
16 funds, or funds under the district's budget authority or fiduciary
17 control, provided toward the project, not including funds described
18 in paragraphs (1) and (2) of subdivision (a) of Section 44287.2.
19 The state board shall establish reasonable methodologies for
20 evaluating project cost-effectiveness, consistent with the definition
21 contained in paragraph (4) of subdivision (a) of Section 44275,
22 and with accepted methods, taking into account a fair and
23 reasonable discount rate or time value of public funds.

24 (e) A grant shall not be made that, net of taxes, provides the
25 applicant with funds in excess of the incremental cost of the project.
26 Incremental lease costs may be capitalized according to guidelines
27 adopted by the state board so that these incremental costs may be
28 offset by a one-time grant award.

29 (f) Funds under a district's budget authority or fiduciary control
30 may be used to pay for the incremental cost of liquid or gaseous
31 fuel, other than standard gasoline or diesel, which is integral to a
32 covered emission reducing technology that is part of a project
33 receiving grant funding under the program. The fuel shall be
34 approved for sale by the state board. The incremental fuel cost
35 over the expected lifetime of the vehicle may be offset by the
36 district if the project as a whole, including the incremental fuel
37 cost, meets all of the requirements of this chapter, including the
38 maximum allowed cost-effectiveness. The state board shall develop
39 an appropriate methodology for converting incremental fuel costs
40 over the vehicle lifetime into an initial cost for the purposes of

1 determining project cost-effectiveness. Incremental fuel costs shall
2 not be included in project costs for fuels dispensed from any facility
3 that was funded, in whole or in part, from the fund.

4 (g) For purposes of determining any grant amount pursuant to
5 this chapter, the incremental cost of any new purchase, retrofit,
6 repower, or add-on equipment shall be reduced by the value of
7 any current financial incentive that directly reduces the project
8 price, including any tax credits or deductions, grants, or other
9 public financial assistance. Project proponents applying for funding
10 shall be required to state in their application any other public
11 financial assistance to the project.

12 (h) For projects that would repower offroad equipment by
13 replacing uncontrolled diesel engines with new, certified diesel
14 engines, the state board may establish maximum grant award
15 amounts per repower. A repower project shall also be subject to
16 the incremental cost maximum pursuant to subdivision (e).

17 (i) After study of available emission reduction technologies and
18 costs and after public notice and comment, the state board may
19 reduce the values of the maximum grant award criteria stated in
20 this section to improve the ability of the program to achieve its
21 goals. Every year the state board shall adjust the maximum
22 cost-effectiveness amount established in subdivision (a) and any
23 per-project maximum set by the state board pursuant to subdivision
24 (h) to account for inflation.

25 (j) This section shall remain in effect only until January 1, 2015,
26 and as of that date is repealed, unless a later enacted statute, that
27 is enacted before January 1, 2015, deletes or extends that date.

28 ~~SEC. 3.~~

29 *SEC. 2.* Section 44283 of the Health and Safety Code, as
30 amended by Section 2 of Chapter 627 of the Statutes of 2006, is
31 amended to read:

32 44283. (a) Grants shall not be made for projects with a
33 cost-effectiveness, calculated in accordance with this section, of
34 more than twelve thousand dollars (\$12,000) per ton of NO_x
35 reduced in California or a higher value that reflects state consumer
36 price index adjustments on or after January 1, 2015, as determined
37 by the state board.

38 (b) Only NO_x reductions occurring in this state shall be included
39 in the cost-effectiveness determination. The extent to which
40 emissions generated at sea contribute to air quality in California

1 nonattainment areas shall be incorporated into these methodologies
2 based on a reasonable assessment of currently available information
3 and modeling assumptions.

4 (c) The state board shall develop protocols for calculating the
5 surplus NO_x reductions in California from representative project
6 types over the life of the project.

7 (d) The cost of the NO_x reduction is the amount of the grant
8 from the program, including matching funds provided pursuant to
9 subdivision (e) of Section 44287, plus any other state funds, or
10 funds under the district's budget authority or fiduciary control,
11 provided toward the project, not including funds described in
12 paragraphs (1) and (2) of subdivision (a) of Section 44287.2. The
13 state board shall establish reasonable methodologies for evaluating
14 project cost-effectiveness, consistent with the definition contained
15 in paragraph (4) of subdivision (a) of Section 44275, and with
16 accepted methods, taking into account a fair and reasonable
17 discount rate or time value of public funds.

18 (e) A grant shall not be made that, net of taxes, provides the
19 applicant with funds in excess of the incremental cost of the project.
20 Incremental lease costs may be capitalized according to guidelines
21 adopted by the state board so that these incremental costs may be
22 offset by a one-time grant award.

23 (f) Funds under a district's budget authority or fiduciary control
24 may be used to pay for the incremental cost of liquid or gaseous
25 fuel, other than standard gasoline or diesel, which is integral to a
26 NO_x reducing technology that is part of a project receiving grant
27 funding under the program. The fuel shall be approved for sale by
28 the state board. The incremental fuel cost over the expected lifetime
29 of the vehicle may be offset by the district if the project as a whole,
30 including the incremental fuel cost, meets all of the requirements
31 of this chapter, including the maximum allowed cost-effectiveness.
32 The state board shall develop an appropriate methodology for
33 converting incremental fuel costs over the vehicle lifetime into an
34 initial cost for the purposes of determining project
35 cost-effectiveness. Incremental fuel costs shall not be included in
36 project costs for fuels dispensed from any facility that was funded,
37 in whole or in part, from the fund.

38 (g) For purposes of determining any grant amount pursuant to
39 this chapter, the incremental cost of any new purchase, retrofit,
40 repower, or add-on equipment shall be reduced by the value of

1 any current financial incentive that directly reduces the project
2 price, including any tax credits or deductions, grants, or other
3 public financial assistance. Project proponents applying for funding
4 shall be required to state in their application any other public
5 financial assistance to the project.

6 (h) For projects that would repower offroad equipment by
7 replacing uncontrolled diesel engines with new, certified diesel
8 engines, the state board may establish maximum grant award
9 amounts per repower. A repower project shall also be subject to
10 the incremental cost maximum pursuant to subdivision (e).

11 (i) After study of available emission reduction technologies and
12 costs and after public notice and comment, the state board may
13 reduce the values of the maximum grant award criteria stated in
14 this section to improve the ability of the program to achieve its
15 goals. Every year the state board shall adjust the maximum
16 cost-effectiveness amount established in subdivision (a) and any
17 per-project maximum set by the state board pursuant to subdivision
18 (h) to account for inflation.

19 (j) This section shall become operative on January 1, 2015.

20 ~~SEC. 4.~~

21 *SEC. 3.* Section 44287.2 is added to the Health and Safety
22 Code, to read:

23 44287.2. (a) By July 1, 2011, the state board shall revise
24 project grant criteria and guidelines pursuant to Section 44287 to
25 allow funds from all of the following programs or funding sources
26 to be used for a project also funded under this chapter without
27 those additional public funds being factored into the criteria
28 emission reduction cost-effectiveness calculations:

29 (1) Federal funding from programs designed to reduce
30 greenhouse gas emissions.

31 (2) Alternative and Renewable Fuel and Vehicle Technology
32 Program (Article 2 (commencing with Section 44272) of Chapter
33 8.9).

34 (b) Nothing in this section authorizes the expenditure of funds
35 for a project that does not meet all of the requirements of this
36 chapter, including requirements that require cost sharing or
37 matching of funds. Subdivision (a) does not apply if the additional
38 expenditure would not provide an incremental air quality, or
39 greenhouse gas emission reduction, benefit greater than what would
40 otherwise be achieved by the program. The state board shall not

- 1 exclude funds from the cost-effectiveness calculation pursuant to
- 2 subdivision (a), if excluding those funds would reduce the emission
- 3 reduction benefits expected to be achieved from this chapter,
- 4 federal greenhouse gas emission reduction programs, or the
- 5 Alternative and Renewable Fuel and Vehicle Technology Program.

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